

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: August 20, 2013
Request for Initial Resolution

Prepared by: *Mario Wong*

Applicant:	GreenWaste Recovery, Inc. and Zanker Road Resource Management, Ltd. and/or their Affiliates	Amount Requested:	\$38,000,000
		Application No.:	871
Project Location:	San Jose, Santa Clara, Palo Alto (Santa Clara County) Watsonville (Santa Cruz County) Sacramento (Sacramento County)	Initial Resolution No.:	13-07

Summary. GreenWaste Recovery, Inc. (GreenWaste) and Zanker Road Resource Management, Ltd. (Zanker) and/or their Affiliates (collectively, the “Applicant”) request approval of an Initial Resolution for an amount not to exceed \$38,000,000. GreenWaste will use bond proceeds to finance the acquisition of waste collection vehicles, containers, and site improvements and to partially finance an anaerobic digestion project in San Jose. Zanker will use bond proceeds to finance improvements to a landfill facility and a construction and demolition (C&D) sorting line, and to partially finance an anaerobic digestion project in San Jose.

Borrower. GreenWaste Recovery, Inc. and Zanker Road Resource Management, Ltd. were incorporated in San Jose, California in 1991 and 1984, respectively. Although not affiliated, GreenWaste and Zanker are each 50 percent shareholders in Zero Waste Energy Development Company LLC, the owner of the two anaerobic digestion facilities in San Jose. GreenWaste and Zanker provide refuse collection and disposal services in Santa Clara, Santa Cruz, and Sacramento Counties.

The principal stockholders of GreenWaste Recovery, Inc. are as follows:

Richard A. Cristina & Diane L. Cristina, Trustees	19.79%
Murray B. Hall, Trustee	17.29%
Frank C. Weigel, Trustee	10.42%
Juan & Cindy Pena, Trustees	10.42%
Eric A. Bracher & Vivian M. Bracher, Trustees	8.54%
William H. Giannini & Linda D. Giannini, Trustees	4.79%
Gene P. Carter & Patricia J. Carter, Trustees	4.17%
Gary V. Giannini & Susan M. Giannini, Trustees	4.17%
Patricia L. Sheehan, Trustee	4.17%
Herbert Sweatt, Trustee	4.17%
Various (less than 3% each)	<u>12.07%</u>
Total:	100.00%

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The General and Limited Partners of Zanker Road Resource Management, Ltd. are as follows:

General Partners

Zanker Road Resource Recovery, Inc. (50% each Richard A. Cristina & Murray B. Hall)	30.0000%
H.L. Sweatt, Inc. (50% each Herbert & Nancy Sweatt)	10.0000%

Limited Partners

Sportsell L.P. #4	10.5882%
John D. Couch	9.0044%
Diana L. Couch	9.0044%
Kenneth W. Zerbe	7.0588%
Gene R. Carter	7.0588%
William F. Neal	5.2941%
Various (less than 3% each)	<u>11.9913%</u>
Total:	100.0000%

Legal Questionnaire. The Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

Project Description. As GreenWaste and Zanker are 50 percent owners of Zero Waste Energy Development Company LLC (ZWEDC), they are requesting a combined plan of financing.

In addition to their own projects, GreenWaste and Zanker will provide a total of \$14.8 million in new funding to ZWEDC. This funding will be in addition to the bonds previously issued by CPCFA – Zero Waste Energy Development Company LLC Project Series 2012A – issued June 6, 2012 in the amount of \$32,390,000 to finance the construction of the two anaerobic digestion systems.

The current request proposes two bond series. Series A will finance the GreenWaste project (\$13.4 million) and Series B will finance the Zanker project (\$23.4 million).

The total combined issuance of the bonds is anticipated to be \$38 million.

Volume Cap Allocation. The Applicant anticipates applying to the Authority for volume cap allocation on September 17, 2013.

Financing Details. The Applicant anticipates the issuance of negotiated tax exempt bonds.

Financing Team.

Underwriter:	Westhoff, Cone & Holmstedt
Bond Counsel:	Law Offices of Leslie M. Lava
Issuer’s Counsel:	Office of the Attorney General

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Staff Recommendation. Staff recommends approval of Initial Resolution No. 13-07 for GreenWaste Recovery, Inc. and Zanker Road Resource Management, Ltd. and/or their Affiliates for an amount not to exceed \$38,000,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL, RECYCLING AND/OR RESOURCE
RECOVERY FACILITIES FOR GREENWASTE RECOVERY, INC.,
ZANKER ROAD RESOURCE MANAGEMENT, LTD. AND/OR THEIR AFFILIATES**

August 20, 2013

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (“Act”) to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including solid waste disposal, recycling and resource recovery facilities; and

WHEREAS, GreenWaste Recovery, Inc., a California corporation, and Zanker Road Resource Management, Ltd., a California limited partnership, (collectively, “Applicant”), and/or their Affiliates (as hereinafter defined) (collectively, “Companies”) have submitted an application (the “Application”) to the Authority requesting the Authority assist in financing or refinancing (i) the construction of an anaerobic digester, (ii) the improvement of buildings to house office functions, (iii) the construction of site improvements, (iii) the acquisition of rolling stock and drop boxes, bins, carts and containers, and/or (iv) the acquisition and installation, if any, of equipment for the collection, processing, transfer and recycling of solid waste and/or resource recovery equipment and other equipment functionally related thereto, including without limitation, a sort line, all as more fully described in the Application (collectively, “Facilities”), which Facilities will be owned and/or operated by a Company, and have presented an estimate of the maximum cost of such Facilities as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Companies to provide solid waste disposal, recycling and/or resource recovery facilities which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Facilities be acquired at the earliest practicable date, but the Companies require satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance or refinance such Facilities; and

WHEREAS, each Company expects to incur or pay from its own funds certain expenditures in connection with its Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with its Facilities on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$38,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse each Company for its prior expenditures for its Facilities; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Facilities with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an “Affiliate” of the Applicant means any person or entity which meets the definition of “participating party” in the Act and controls, is controlled by, or is under common control with, the Applicant, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$38,000,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to each Company costs incurred for its Facilities prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and each Company in connection with its Facilities. Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and each Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the proceeds thereof to the Company; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the California Debt Limit Allocation Committee.

Section 5. The Executive Director of the Authority is hereby directed to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Companies by defraying the cost of the Facilities, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute “some other similar official action” towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended. It is also intended that this statement of “official action” or “official intent” by the

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Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective on August 20, 2016 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from each Company, accompanied by an explanation of the status of its project and any additional information requested by the Authority to supplement the Applicant's application.

EXHIBIT A

NUMBER: 13-07

LOCATIONS: 565, 625, 645, 651 and 653 Charles Street, San Jose, CA 95112

1500 Berger Drive, San Jose, CA 95112

1201 No. 15th Street, San Jose, CA 95112

275, 355 and 375 Industrial Road, Watsonville, CA 95076

2755 and 2765 Lafayette Street, Santa Clara, CA 95050

2000 Geng Road, Palo Alto, CA 94303

675, 685 (formerly 2100) and 705 Los Esteros Road, San Jose, CA 95134

980 State Highway 25, Gilroy, CA 95020

4201 Florin Perkins Road, Sacramento, CA 95826

TYPE: Solid Waste Disposal/Recycling/Resource Recovery

AMOUNT: Up to \$38,000,000